

ANALYSIS OF ORIGINAL BILL

Author: Cardenas Analyst: Kristina North Bill Number: AB 2735

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: 02-23-98

Attorney: Doug Bramhall Sponsor:

SUBJECT: Public School Volunteer Credit

SUMMARY

Under the Personal Income Tax Law (PITL), this bill would establish a \$100 credit for taxpayers volunteering at least 40 hours in any public school maintaining grades kindergarten through eight and attended by the taxpayer's child or children.

EFFECTIVE DATE

This bill would apply to taxable years beginning on or after January 1, 1998.

LEGISLATIVE HISTORY

SB 1997 (1998), AB 283 (1997/98), AB 2791, AB 365 (1993/94)

SPECIFIC FINDINGS

Current federal and state laws do not allow a charitable deduction or a credit for the contribution of services. However, both allow a charitable deduction for unreimbursed expenses related to rendering contributed services. Deductible unreimbursed expenses include transportation costs, teaching materials, uniforms, etc.

This bill would allow a \$100 credit for taxpayers volunteering at least 40 hours in any public elementary or secondary school maintaining kindergarten or any grades one through eight, attended by the taxpayer's child or children.

For the purposes of **this bill**, "taxpayer" would include the spouse of a taxpayer filing a joint return.

This bill would limit each taxpayer to only one credit regardless of the number of children or number of schools in which the taxpayer volunteers.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___X___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO ___

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department Director Date
G. Alan Hunter 3/30/98

Agency Secretary Date

By: Date

Since **this bill** does not specify otherwise, the general rules regarding tax credits would apply. This tax credit would not reduce regular tax below the tentative minimum tax for alternative minimum tax purposes.

Policy Considerations

Tax credits generally contain a sunset date so the Legislature may review their effectiveness. This credit does not contain a sunset date.

This bill would establish a tax policy precedent since tax incentives are typically allowed only for actual expenses.

The credit for time volunteered is not restricted to schools in the state of California.

Implementation Considerations

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

- ◆ It is unclear if the author intended that a "child" be a dependent, a natural born child, a step child, a foster child, etc. A definition would clarify the author's intent.
- ◆ It is not clear over what period of time the 40 hours of volunteer time would be provided.
- ◆ This bill provides a credit for time volunteered in any elementary or secondary, public school, but does not provide a verification process certifying how much time was volunteered, by whom, for what school, and if the taxpayer's child or children attended the school. Therefore, this department would have difficulty processing this credit.
- ◆ This bill specifies that for a taxpayer who files a joint return, "taxpayer" would include the taxpayer's spouse. However, a spouse is already considered a taxpayer. The author's office has indicated that the intent is to limit the credit to one per household. This language should be clarified.

Technical Considerations

Tax credit language generally begins with "For each taxable year beginning on or after January 1, _____," so that the operative date is clearly stated for historical reference.

Each taxpayer is entitled to only one credit under this bill. It should be clarified whether the author intends this language to mean a one-time credit only or one credit per taxable year.

FISCAL IMPACT

Departmental Costs

Once implementation concerns are resolved, this bill should not significantly impact the department's costs.

Tax Revenue Estimate

Based on data and assumptions discussed below, the revenue impact from this bill is estimated to be as follows:

Estimated Revenue Impact of AB 2735 Enactment Assumed After June 30, 1998 (In \$Millions)			
Fiscal Years	1998/99	1999/00	2000/01
Revenue Impact	(16)	(16)	(17)

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Tax Revenue Discussion

Revenue losses would depend on the number of taxpayers claiming this credit and their tax liabilities.

For this estimate, it was assumed that only time volunteered in California public schools grades K-8 would qualify for this credit.

According to the Department of Education, there were nearly 4 million students enrolled in California public schools grades K-8 in October 1996. The number of volunteers eligible for this credit is not known. In order to estimate the revenue impact, it was assumed that if, on average, one volunteer per each class (average of 25 students) would claim this credit, the magnitude of annual revenue losses would be on the order of \$16 million.

BOARD POSITION

Pending.